

City of Seattle Voluntary Deferred Compensation Plan Regular Trust Committee Meeting Minutes

Wednesday, September 26, 2018 10:00 am – 12:00 pm
Seattle Municipal Tower, Room 4080

TRUSTEES present: Teri Allen, Jeff Davis, Glen Lee, and Sue McNab (Arrived 10:04)

STAFF present: Renee Freiboth, Michelle Ell, Tony Dozier, Malia Bonham from SDHR; Jeff Slayton CAO

CONSULTANTS present: Jake O'Shaughnessy (via phone) and Stuart Payment, SageView Advisory Group; Michael Monaco & Gavin Parr, Mondress Monaco Parr Lockwood

GUESTS present: Kent Morris, Kristopher Morton, Susan Wilson, and Olivia Anastasi from Nationwide; Andre Ball

BUSINESS

Opening: Teri Allen, the Committee Chair, started the meeting at 10:01 a.m.

Introductions: All attendees introduced themselves.

Public Comment: Michelle read a public comment from Councilmember Bagshaw. She requested that in implementing the amendment to the Plan allowing specified assets to be offered as options for participant investment the Committee select funds with a proven track record and investment history.

Minutes of May 23, 2018 Regular Meeting: Teri asked for a review of the meeting minutes.

MOTION: Teri moved to amend the minutes to update the reference to the next meeting date to September 26 and to approve as amended. Motion was seconded by Glen Lee and passed unanimously.

Nationwide: Kris Morton reported that Plan trends continued to improve in second quarter. Plan assets increased 1.81% to \$1.23B, along with the number of participant accounts growing to 9,700. He mentioned Nationwide is working with Plan Staff to determine strategies for how to increase participation in 2019.

Kris shared that Target Date Funds (TDFs) are seeing an increase in usage and believes this will continue to be a trend as the new EZ Enroll form continues to be used. He stated that 47% of new contributions are being invested in TDFs.

Kris noted one penalty for not meeting the Performance Standards set forth in the Agreement. April call reviews were sent to Plan Staff on the 17th and not on the 15th as agreed. A penalty of \$500 was assessed against Nationwide per the agreement.

SageView Advisory: Jake O'Shaughnessy reported on the Q2 2018 markets. He mentioned that U.S. Equity Markets are at an all-time high, while Emerging Markets have struggled recently.

Jake mentioned approximately \$1 out of every \$3 in the Plan is invested in a Vanguard Target Date fund, allowing for both appropriate asset allocation and low plan costs. He added the same Vanguard Target Date Fund purchased by a participant outside of the Plan would cost nearly double that of the same fund within the Plan.

Michelle read Bill Alves's investment comments, which noted the following regarding Principal Diversified Real Assets: Subpar performance for 3 and 5 years, and a recent 401(k) plan lawsuit in which plaintiffs had alleged that including this fund was an imprudent selection. Jake noted that SageView did not have concerns regarding this fund, which has performed in line with its benchmarks over the last 3-5 years and would review Bill's comments and provide further information on this fund in November.

Teri asked if the Nationwide Pro Account was the only option that offered automatic rebalancing. Kris Morton and Jake both confirmed the Target Date Funds automatically rebalance. Teri suggested that a proactive communication to participants be made about reviewing their accounts and to consider rebalancing.

Jake provided an update on the Calvert Equity Portfolio Class I Fund. He recommended that the fund continue to remain on watch status.

Jake noted that the Dodge and Cox International Stock fund had underperformed in the shorter term (3 years and less), but still had good long-term returns. He does not advise the fund be placed on watch at this time. An update will be provided by SageView at the November meeting.

Next, Jake presented the requested information about adding a U.S. Total Equity Index Option to the Plan. He stated the Plan currently offers three U.S. Equity index funds and recommends none of these be removed from the fund line-up. Instead, he recommends adding a U.S. Total Equity Market Index Fund to allow Participants to more easily use the Vanguard suite of index funds offered within the Plan to construct their own diversified portfolio with index components. SageView's recommended U.S. Total Equity Market Index fund was the Vanguard Total Stock Market Index (VTSAX).

Michelle read Bill Alves's comment stating he was in favor of adding this fund. Teri asked if there was any downside to adding this fund. Jake responded that as more options are added to a plan there becomes a potential for participant confusion by having too many choices; however, this does not seem to be a major concern as the Plan does not have too large of a menu currently. Kris Morton added Nationwide does not see any downside to this as well.

<p>MOTION: Sue McNab moved to add the Vanguard Total Stock Market Index fund (VTSAX) as an investment option for the Plan. Motion was seconded by Jeff Davis and passed unanimously.</p>

Staff Update: Michelle Ell presented the timeline for the Auditor Request for Proposal. She noted that a subcommittee would be needed to review responses and participate in interviews,

although all Committee members can attend and provide input. Jeff Davis and Teri Allen both stated they would be able to participate on this subcommittee.

MOTION: Sue McNab moved for Jeff Davis and Teri Allen to serve as the Audit RFP subcommittee. Motion was seconded by Glen Lee and passed unanimously.

Michelle discussed the Nationwide Customer Service Survey which is part of the deliverables in Nationwide's contract. This survey would allow Participants to provide direct feedback and will provide a measurement of employee satisfaction with Nationwide's services. The survey is sent out by a third party and the only identifying information used would be a Participant's email address.

Kris Morton added the third party can track duplicate responses by the email address and the third-party vendor removes all identifying information in the final report. He also noted they have international certifications in place and Nationwide can provide security reports if needed.

Teri asked whether a Participant's personal or City email address will be used. Michelle and Kris confirmed the email address used is the one the Participant provides as their desired method of communication. The Committee agreed that Nationwide can move forward with the survey as long as Nationwide uses email addresses that have been provided by Participants.

Next, Michelle notified the Committee that Plan Staff may be confronted with high volumes of deferral requests in connection with payouts of retroactive wage increases under the SPOG contract and other union negotiations. There is no way that Staff can predict the number of represented employees who will elect to put their retro wages into the Plan. Michelle requested that the Committee approve a one-time cost of up to \$5,000 for Plan Staff to work overtime to process represented employee retroactive wage payment deferral requests, through December 31, 2019. The cost would not exceed \$5,000 and overtime will only be used if necessary.

Executive Session: The Committee met for Executive Session at 11:10am and ended at 11:33am.

MOTION: Sue McNab moved to extend the SageView contract for two years. Motion was seconded by Glen Lee and passed unanimously.

MOTION: Sue McNab moved to approve overtime for Plan Staff not to exceed \$5,000 through December 31, 2019. Any submissions of overtime would be approved by Sue McNab. Motion seconded by Jeff Davis and passed unanimously.

Adjournment: Glen Lee moved to adjourn the meeting at 11:34 am. The meeting was adjourned without objection.

Next Meeting: The next regular meeting is scheduled for Wednesday, November 28, 2018 at 10:00am in the Seattle Municipal Tower, Conference Room 4080.